



SOUTH CHINA FINANCIAL HOLDINGS LIMITED

南華金融控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00619)

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2020

UNAUDITED INTERIM RESULTS

The board of directors (the “Board”) of South China Financial Holdings Limited (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2020 (the “Period”) together with the relevant comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | | Six Months ended 30 June | |
|--|-------|--------------------------|-------------|
| | | 2020 | 2019 |
| | | (Unaudited) | (Unaudited) |
| | Notes | HK\$'000 | HK\$'000 |
| CONTINUING OPERATIONS | | | |
| Revenue | 3, 4 | 34,291 | 132,674 |
| Fair value gain on investment properties | | - | 21,000 |
| Impairment of loans and trade receivables, net | | (3,309) | (3,584) |
| Fair value gain/(loss) on financial assets at fair value through profit or loss, net | | (76,850) | 21,823 |
| Fair value gain on derivative financial instruments | | 112 | 3,275 |
| Loss on disposal of subsidiary | | (54) | - |
| Other income | | 2,335 | 1,449 |
| Other operating expenses | | (118,021) | (133,999) |
| Profit/(loss) from operating activities | | (161,496) | 42,638 |
| Finance costs | 6 | (8,188) | (9,575) |
| Profit/(loss) before tax from continuing operations | 5 | (169,684) | 33,063 |
| Income tax expenses | 7 | (90) | (2,820) |
| Profit/(loss) for the period from continuing operations | | (169,774) | 30,243 |
| DISCONTINUED OPERATION | | | |
| Loss for the period from a discontinued operation | 9 | - | (5,078) |
| Profit/(loss) for the period | | (169,774) | 25,165 |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

| | | Six Months ended 30 June | |
|---|--------------|---------------------------------|----------------------|
| | | 2020 | 2019 |
| | | (Unaudited) | (Unaudited) |
| | <i>Notes</i> | HK\$'000 | <i>HK\$'000</i> |
| Attributable to: | | | |
| Equity holders of the Company | | | |
| — For profit/(loss) from continuing operations | | (169,577) | 30,268 |
| — For loss from a discontinued operation | 9 | <u>-</u> | <u>(5,078)</u> |
| For profit/(loss) for the period | | (169,577) | 25,190 |
| Non-controlling interests | | <u>(197)</u> | <u>(25)</u> |
| | | <u>(169,774)</u> | <u>25,165</u> |
| Earnings/(loss) per share attributable to equity holders of the Company | | | |
| | 10 | | |
| Basic | | | |
| — For profit/(loss) for the period | | HK(56.3) cents | HK8.3 cents |
| — For profit/(loss) from continuing operations | | <u>HK(56.3) cents</u> | <u>HK10.0 cents</u> |
| Diluted | | | |
| — For profit/(loss) for the period | | HK(56.3) cents | HK8.3 cents |
| — For profit/(loss) from continuing operations | | <u>HK(56.3) cents</u> | <u>HK10.0 cents</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | As at 30 June 2020 (Unaudited) HK\$'000 | As at 31 December 2019 (Audited) HK\$'000 |
|---|---------------|--|---|
| | <i>Notes</i> | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 2,598 | 2,707 |
| Investment properties | <i>11</i> | 550,000 | 550,000 |
| Right-of-use assets | | 6,963 | 9,085 |
| Intangible assets | | 8,376 | 9,210 |
| Investments in associates | | – | – |
| Equity investments designated at fair value through other comprehensive income | <i>17</i> | 19,320 | 30,240 |
| Debt investments at fair value through other comprehensive income | <i>17</i> | 2,847 | 2,847 |
| Other assets | | 7,367 | 9,627 |
| Goodwill | | 83,494 | 83,494 |
| Long term loans receivable | <i>13</i> | 1,668 | 16,552 |
| Long term prepayments and deposits | | 131 | 773 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 682,764 | 714,535 |
| CURRENT ASSETS | | | |
| Inventories | | 12,142 | 12,936 |
| Financial assets at fair value through profit or loss | <i>12, 17</i> | 223,151 | 414,265 |
| Loans receivable | <i>13</i> | 204,899 | 171,701 |
| Trade receivables | <i>14</i> | 127,329 | 107,127 |
| Contract assets | | 250 | 250 |
| Prepayments, other receivables and other assets | | 63,231 | 56,819 |
| Derivative financial instruments | <i>17</i> | 592 | 478 |
| Tax recoverable | | 165 | 378 |
| Cash held on behalf of clients | | 495,423 | 512,272 |
| Cash and bank balances | | 106,965 | 89,493 |
| | | <hr/> | <hr/> |
| Total current assets | | 1,234,147 | 1,365,719 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

| | | As at 30 June 2020 (Unaudited) HK\$'000 | As at 31 December 2019 (Audited) HK\$'000 |
|---|--------------|--|---|
| | <i>Notes</i> | | |
| CURRENT LIABILITIES | | | |
| Client deposits | | 553,937 | 531,801 |
| Trade payables | 14 | 84,546 | 77,575 |
| Other payables and accruals | | 33,744 | 31,218 |
| Derivative financial instruments | 17 | 204 | 154 |
| Interest-bearing bank and other borrowings | | 369,098 | 410,249 |
| Tax payables | | 3,714 | 5,415 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 1,045,243 | 1,056,412 |
| | | <hr/> | <hr/> |
| NET CURRENT ASSETS | | 188,904 | 309,307 |
| | | <hr/> | <hr/> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 871,668 | 1,023,842 |
| | | <hr/> | <hr/> |
| NON-CURRENT LIABILITIES | | | |
| Convertible bonds | 15 | 50,000 | – |
| Interest-bearing bank and other borrowings | | 135,519 | 156,268 |
| Deposits received | | 1,308 | 692 |
| Deferred tax liabilities | | 31,141 | 31,063 |
| | | <hr/> | <hr/> |
| | | 217,968 | 188,023 |
| | | <hr/> | <hr/> |
| Net assets | | 653,700 | 835,819 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| EQUITY | | | |
| Equity attributable to equity holders of the Company | | | |
| Share capital | 16 | 1,085,474 | 1,085,474 |
| Reserves | | (434,232) | (252,347) |
| | | <hr/> | <hr/> |
| | | 651,242 | 833,127 |
| Non-controlling interests | | 2,458 | 2,692 |
| | | <hr/> | <hr/> |
| Total equity | | 653,700 | 835,819 |
| | | <hr/> <hr/> | <hr/> <hr/> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to equity holders of the Company | | | | Non- controlling interests | Total equity |
|--|---|-------------------------|-------------------------|-------------------------|----------------------------------|-----------------------|
| | Share capital | Other reserves | Accumulated losses | Total | | |
| | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | | |
| At 1 January 2020 | 1,085,474 | 131,831 | (384,178) | 833,127 | 2,692 | 835,819 |
| Loss for the period | - | - | (169,577) | (169,577) | (197) | (169,774) |
| Other comprehensive loss for the period | - | (12,308) | - | (12,308) | (37) | (12,345) |
| Total comprehensive loss for the period | - | (12,308) | (169,577) | (181,885) | (234) | (182,119) |
| At 30 June 2020 | <u>1,085,474</u> | <u>119,523</u> | <u>(553,755)</u> | <u>651,242</u> | <u>2,458</u> | <u>653,700</u> |
| At 1 January 2019 | 1,085,474 | 135,350 | (307,295) | 913,529 | 831 | 914,360 |
| Effect of adoption of HKFRS 16 | - | - | (581) | (581) | (232) | (813) |
| At 1 January 2019 (Restated) | <u>1,085,474</u> | <u>135,350</u> | <u>(307,876)</u> | <u>912,948</u> | <u>599</u> | <u>913,547</u> |
| Profit/(loss) for the period | - | - | 25,190 | 25,190 | (25) | 25,165 |
| Other comprehensive income for the period | - | 1,737 | - | 1,737 | - | 1,737 |
| Total comprehensive income/(loss) for the period | - | 1,737 | 25,190 | 26,927 | (25) | 26,902 |
| Transfer of share options reserve upon the lapse of share options | - | (1,264) | 1,264 | - | - | - |
| At 30 June 2019 | <u>1,085,474</u> | <u>135,823</u> | <u>(281,422)</u> | <u>939,875</u> | <u>574</u> | <u>940,449</u> |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Six Months ended 30 June | |
|---|---------------------------------|----------------------|
| | 2020 | 2019 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Profit/(loss) for the period | <u>(169,774)</u> | <u>25,165</u> |
| Change in fair value of equity investments designated at fair value through other comprehensive income | (10,919) | 1,750 |
| Exchange differences on translation of foreign operations | <u>(1,426)</u> | <u>(13)</u> |
| Other comprehensive income/(loss) for the period | <u>(12,345)</u> | <u>1,737</u> |
| Total comprehensive income/(loss) for the period | <u><u>(182,119)</u></u> | <u><u>26,902</u></u> |
| Attributable to: | | |
| Equity holders of the Company | (181,885) | 26,927 |
| Non-controlling interests | <u>(234)</u> | <u>(25)</u> |
| | <u><u>(182,119)</u></u> | <u><u>26,902</u></u> |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**Six months ended 30 June**

| | 2020 | 2019 |
|--|--------------------|-------------|
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |

| | | |
|---|----------------------|----------------------|
| Net cash flows from operating activities | <u>26,371</u> | <u>25,595</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Dividend income received from listed investments | 15 | 6,064 |
| Purchases of items of property, plant and equipment | (689) | – |
| Decrease/(increase) in other assets | <u>2,260</u> | <u>(1,524)</u> |
| Net cash flows from investing activities | <u>1,586</u> | <u>4,540</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of convertible bonds | 50,000 | – |
| New bank loans | 5,578,724 | 5,280,000 |
| Repayment of bank loans | (5,611,765) | (5,312,921) |
| Principal portion of lease payments | <u>(1,761)</u> | <u>(987)</u> |
| Net cash flows from/(used in) financing activities | <u>15,198</u> | <u>(33,908)</u> |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 43,155 | (3,773) |
| Cash and cash equivalents at beginning of the period | 39,760 | 32,634 |
| Effect of foreign exchange rate changes, net | <u>952</u> | <u>19</u> |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | <u>83,867</u> | <u>28,880</u> |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 106,965 | 87,218 |
| Bank overdrafts | (23,098) | (58,545) |
| Cash and bank balances attributable to a discontinued operation | <u>–</u> | <u>207</u> |
| | <u>83,867</u> | <u>28,880</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim results of the Group and the unaudited condensed consolidated interim financial statements (the “interim financial statements”) have been reviewed by the audit committee of the Company.

The interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard (the “HKAS”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

These interim financial statements do not include all the information and disclosures required in annual financial statements, and should be read, where relevant, in conjunction with the 2019 annual financial statements of the Group.

The financial information relating to the year ended 31 December 2019 that is included in the unaudited interim condensed consolidated statement of financial position as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follow:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company’s auditors have reported on the financial statements for the year ended 31 December 2019. The auditor’s report was unqualified, and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

2. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim financial statements are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019.

In the current interim period, the Group has applied the following new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

| | |
|--|--|
| Amendments to HKFRS 3 | <i>Definition of a Business</i> |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | <i>Interest Rate Benchmark Reform</i> |
| Amendment to HKFRS 16 | <i>Covid-19-Related Rent Concessions (early adopted)</i> |
| Amendments to HKAS 1 and HKAS 8 | <i>Definition of Material</i> |

The directors do not expect that the amendments listed above will have a material impact on the Group’s condensed consolidated financial statements upon application.

3. REVENUE

An analysis of revenue is as follows:

| | Six months ended 30 June | |
|--|---------------------------------|-------------|
| | 2020 | 2019 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| <i>Revenue from contracts with customers:</i> | | |
| Commission and brokerage income | 13,863 | 17,171 |
| Rendering of services | 6,412 | 15,622 |
| Handling fee income | 933 | 1,199 |
| Media publications and financial public relation services* ("Media Services") | 14,549 | 20,931 |
| Sales of jewellery products | 11,991 | 18,152 |
| | 47,748 | 73,075 |
| <i>Revenue from other sources:</i> | | |
| Profit/(loss) on the trading of securities, forex, bullion and future contracts, net | (29,362) | 34,317 |
| Interest income from loans and trade receivables | 7,797 | 10,631 |
| Interest income from forex and bullion contracts trading | 272 | 230 |
| Interest income from banks and financial institutions | 1,399 | 1,997 |
| Dividend income from listed investments | 15 | 6,064 |
| Gross rental income | 6,422 | 6,360 |
| | (13,457) | 59,599 |
| | 34,291 | 132,674 |

* Including advertising income, service income and circulation income

4. REVENUE AND SEGMENTAL INFORMATION

The Group manages its business by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified 8 (six months ended 30 June 2019: 8) reportable segments as summarised below.

| | Six months ended 30 June | | | |
|--|---------------------------------|----------------|-------------------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| | Revenue | Revenue | Profit/(loss) | Profit/(loss) |
| | (Unaudited) | (Unaudited) | from operating | from operating |
| | HK\$'000 | HK\$'000 | activities | activities |
| | | | (Unaudited) | (Unaudited) |
| | | | HK\$'000 | HK\$'000 |
| Broking | 14,110 | 16,755 | (4,903) | (19,462) |
| Trading and investment | (29,347) | 40,617 | (107,175) | 58,991 |
| Margin financing and money lending | 9,196 | 12,406 | (7,934) | (1,850) |
| Corporate advisory and underwriting | 5,850 | 14,916 | (6,900) | 1,135 |
| Assets and wealth management | 1,053 | 2,071 | (2,161) | (3,423) |
| Property investment | 6,422 | 6,360 | 4,756 | 26,947 |
| Media publication and financial public relation services ("Media Services") | 14,549 | 20,931 | (34,988) | (19,171) |
| Jewellery and other business | 12,458 | 18,618 | (2,191) | (529) |
| | <u>34,291</u> | <u>132,674</u> | <u>(161,496)</u> | <u>42,638</u> |
| Consolidated | <u>34,291</u> | <u>132,674</u> | <u>(161,496)</u> | <u>42,638</u> |

Other than the revenue from Trading and investment, over 74% of the Group's revenue and contribution to profit/(loss) from operating activities were derived from operations in Hong Kong.

The revenue from Trading and investment was 100% derived from operations in Hong Kong.

4. REVENUE AND SEGMENTAL INFORMATION (Continued)

Revenue from contracts with customers

Disaggregated revenue information

For the period ended 30 June 2020

| Type of goods or services | Broking (Unaudited) HK\$'000 | Corporate advisory and underwriting (Unaudited) HK\$'000 | Asset and wealth management (Unaudited) HK\$'000 | Media publications and financial | Jewellery business (Unaudited) HK\$'000 | Other business (Unaudited) HK\$'000 | Total (Unaudited) HK\$'000 |
|---|------------------------------------|--|--|---|--|--|----------------------------------|
| | | | | public relation services (Unaudited) HK\$'000 | | | |
| Commission and brokerage income | 12,810 | - | 1,053 | - | - | - | 13,863 |
| Corporate advisory fee income | 3 | 5,850 | - | - | - | - | 5,853 |
| Handling fee income | 933 | - | - | - | - | - | 933 |
| Media publications and financial public relation services* | - | - | - | 14,549 | - | - | 14,549 |
| Sales of jewellery products | - | - | - | - | 11,991 | - | 11,991 |
| Other business income | 92 | - | - | - | - | 467 | 559 |
| Total revenue from contracts with customers | <u>13,838</u> | <u>5,850</u> | <u>1,053</u> | <u>14,549</u> | <u>11,991</u> | <u>467</u> | <u>47,748</u> |
| Geographical markets | | | | | | | |
| Hong Kong | 13,838 | 2,950 | 1,053 | 14,549 | - | 467 | 32,857 |
| Mainland China | - | 300 | - | - | 11,991 | - | 12,291 |
| Other countries | - | 2,600 | - | - | - | - | 2,600 |
| Total revenue from contracts with customers | <u>13,838</u> | <u>5,850</u> | <u>1,053</u> | <u>14,549</u> | <u>11,991</u> | <u>467</u> | <u>47,748</u> |

4. REVENUE AND SEGMENTAL INFORMATION (Continued)

Revenue from contracts with customers (Continued)

For the period ended 30 June 2019

| Type of goods or services | Broking (Unaudited) <i>HK\$'000</i> | Corporate advisory and underwriting (Unaudited) <i>HK\$'000</i> | Asset and wealth management (Unaudited) <i>HK\$'000</i> | Media publications and financial | Jewellery business (Unaudited) <i>HK\$'000</i> | Other business (Unaudited) <i>HK\$'000</i> | Total (Unaudited) <i>HK\$'000</i> |
|---|---|---|---|--|---|---|---|
| | | | | public relation services (Unaudited) <i>HK\$'000</i> | | | |
| Commission and brokerage income | 15,819 | - | 1,352 | - | - | - | 17,171 |
| Corporate advisory fee income | - | 14,916 | - | - | - | - | 14,916 |
| Handling fee income | 733 | - | 706 | - | - | - | 1,439 |
| Media publications and financial public relation services* | - | - | - | 20,931 | - | - | 20,931 |
| Sales of jewellery products | - | - | - | - | 18,152 | - | 18,152 |
| Other business income | - | - | - | - | - | 466 | 466 |
| Total revenue from contracts with customers | <u>16,552</u> | <u>14,916</u> | <u>2,058</u> | <u>20,931</u> | <u>18,152</u> | <u>466</u> | <u>73,075</u> |
| Geographical markets | | | | | | | |
| Hong Kong | 16,552 | 6,554 | 1,352 | 20,931 | - | 466 | 45,855 |
| Mainland China | - | 2,949 | - | - | 18,152 | - | 21,101 |
| Other countries | - | 5,413 | 706 | - | - | - | 6,119 |
| Total revenue from contracts with customers | <u>16,552</u> | <u>14,916</u> | <u>2,058</u> | <u>20,931</u> | <u>18,152</u> | <u>466</u> | <u>73,075</u> |

5. PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS

| | Six months ended 30 June | |
|--|--------------------------|-------------|
| | 2020 | 2019 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| The Group's profit/(loss) before tax from continuing operations is arrived at after charging: | | |
| Cost of services provided | 9,351 | 13,648 |
| Depreciation and amortisation | 2,172 | 1,016 |
| Depreciation of right-of-use assets | 1,078 | 987 |
| Cost of inventories sold | 9,071 | 13,653 |
| Cost of media publications and financial public relation services | 17,305 | 15,684 |
| Lease payment not included in the measurement of lease liabilities | 12,272 | 7,884 |
| Employee benefit expense (including directors' remuneration) | 47,155 | 63,900 |
| Direct operating expenses arising from rental-earning investment properties | 878 | 801 |
| Interest expenses for short-term interest-bearing bank and other borrowings | 2,317 | 2,636 |

6. FINANCE COSTS

Finance costs mainly represent interest on a mortgage loan secured by the Group's investment properties.

7. INCOME TAX EXPENSES

Hong Kong profits tax has been provided in this current Period at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the underprovision of income tax in the prior years. During the corresponding period in 2019, no provision for the Hong Kong profits tax has been made as the Group either had no estimated assessable profits or had available tax losses carried forward to offset the assessable profits arising in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, practices and interpretations in respect thereof.

8. INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the Period (six months ended 30 June 2019: Nil).

9. DISCONTINUED OPERATION

Year Blossom Limited, a wholly-owned subsidiary of the Company, together with its subsidiaries (the “Disposal Group”) were principally engaged in food and beverage operations in Nanjing, the PRC.

On 1 February 2019, the Company entered into a conditional sale and purchase agreement with South China Industries (BVI) Limited, a wholly-owned subsidiary of South China Holdings Company Limited, pursuant to which the Company agreed to dispose of the entire issued share capital of Year Blossom Limited. The transaction was completed at 31 December 2019 and the Group recognised a gain on disposal of a discontinued operation amounting to HK\$8,557,000.

The result of the Disposal Group for the Period in 2019 are presented below:

| | Six months ended 30 June 2019 (Unaudited) HK\$'000 |
|---|---|
| Revenue | 4,554 |
| Cost of inventories consumed | <u>(2,314)</u> |
| Gross profit | 2,240 |
| Other operation expenses | <u>(7,318)</u> |
| Loss before tax from the discontinued operation | (5,078) |
| Income tax | <u>–</u> |
| Loss for the period from the discontinued operation | <u><u>(5,078)</u></u> |

The calculation of basic and diluted loss per share from the discontinued operation are based on:

| | Six months ended 30 June 2019 (Unaudited) |
|---|---|
| Loss attributable to ordinary equity holders of the Company from the discontinued operation | (HK\$5,078,000) |
| Weighted average number of ordinary shares in issue during the Period used in the basic and diluted loss per share calculation | 301,277,070 |
| Loss per share Basic and diluted, from the discontinued operation | <u><u>(HK1.7 cents)</u></u> |

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic and diluted earnings/(loss) per share amounts is based on the loss for the Period attributable to equity holders of the Company of HK\$169,577,000 (six months ended 30 June 2019: profit of HK\$25,190,000) and the weighted average number of 301,277,070 (six months ended 30 June 2019: 301,277,070) ordinary shares in issue during the Period.

The calculation of the basic and diluted earnings/(loss) per share amounts from continuing operations is based on the loss for the Period from continuing operations attributable to equity holders of the Company of HK\$169,577,000 (six months ended 30 June 2019: profit of HK\$30,268,000) and the weighted average number of 301,277,070 (six months ended 30 June 2019: 301,277,070) ordinary shares in issue during the Period.

No adjustment had been made to the basic loss per share amount presented for the Period in respect of a dilution as the impact of the convertible bonds had an anti-dilutive effect on the basic loss per share amount presented.

No adjustment has been made to the basic earnings/(loss) per share amount presented for the six months ended 30 June 2020 and 2019 in respect of a dilution as the impact of the share options outstanding during the periods had no dilutive effect on the basic earnings/(loss) per share amount presented.

11. INVESTMENT PROPERTIES

| | As at 30 June 2020 (Unaudited) HK\$'000 | As at 31 December 2019 (Audited) HK\$'000 |
|---------------------------------------|--|--|
| Carrying amount at 1 January | 550,000 | 529,000 |
| Net gain from a fair value adjustment | - | 21,000 |
| | <hr/> | <hr/> |
| Carrying amount | <u>550,000</u> | <u>550,000</u> |

On 30 June 2020, the Group's investment properties were revalued by Ravia Global Appraisal Advisory Limited at HK\$550,000,000 (31 December 2019: HK\$550,000,000). The fair value of investment properties is determined using the market comparison approach by reference to recent sales prices of comparable properties on a price per square foot basis. The investment properties are leased to third parties under operating leases.

The Group's investment properties are situated in Hong Kong. The investment properties with a carrying value of HK\$550,000,000 (31 December 2019: HK\$550,000,000) were pledged to secure banking facilities granted to the Group.

Details of the Group's investment properties are as follows:

| Location | Existing use |
|---|---------------------|
| 26th Floor, Tower One, Lippo Centre, 89 Queensway, Admiralty, Hong Kong | Office building |

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss represented listed equity investments, mainly in Hong Kong, at market value.

13. LOANS RECEIVABLE

The loans receivable at the end of the reporting period are analysed by the remaining period to the contractual maturity dates as follows:

| | As at 30 June 2020 (Unaudited) HK\$'000 | As at 31 December 2019 (Audited) HK\$'000 |
|--------------------------------------|--|---|
| Repayable: | | |
| On demand | 180,597 | 141,392 |
| Within 3 months | 888 | 5,577 |
| 3 months to 1 year | 23,414 | 15,109 |
| 1 year to 5 years | 1,668 | 26,175 |
| | 206,567 | 188,253 |
| Portion classified as current assets | (204,899) | (171,701) |
| | 1,668 | 16,552 |

14. TRADE RECEIVABLES AND PAYABLES

The Group allows a credit period up to the respective settlement dates of securities, forex, bullion and commodities transactions (normally two business days after the respective trade dates for Hong Kong stocks) or a credit period mutually agreed between the contracting parties. The credit period for Media Services is generally one month, extending up to four months for major customers. The credit period for corporate advisory services is generally within two weeks. The Group's trading terms with its jewellery retail customers are mainly on cash and credit card settlement.

All of the Group's trade receivables and payables are aged within 90 days.

15. CONVERTIBLE BONDS

On 30 June 2020, the Company issued the convertible bonds amounted to HK\$50,000,000 due on the 3rd anniversary of the issue date, and the conversion price is HK\$0.22 (subject to adjustment) as disclosed in the circular issued by the Company on 15 May 2020.

16. SHARE CAPITAL

| | As at 30 June 2020 (Unaudited) HK\$'000 | As at 31 December 2019 (Audited) HK\$'000 |
|---|--|---|
| Issued and fully paid: | | |
| 301,277,070 (2019: 301,277,070) ordinary shares | 1,085,474 | 1,085,474 |

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair values of equity investments and derivative financial instruments are based on quoted market prices. The fair value of debt investments at fair value through other comprehensive income in which represented club debentures have been estimated based on quoted market prices.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 30 June 2020

| | Quoted prices in active markets (Level 1) (Unaudited) HK\$'000 | Fair value measurement using | | Total (Unaudited) HK\$'000 |
|---|---|---|---|----------------------------------|
| | | Significant observable inputs (Level 2) (Unaudited) HK\$'000 | Significant unobservable inputs (Level 3) (Unaudited) HK\$'000 | |
| <i>Assets measured at fair value:</i> | | | | |
| Equity investments designated at fair value through other comprehensive income | 19,320 | - | - | 19,320 |
| Debt investments at fair value through other comprehensive income | - | 2,847 | - | 2,847 |
| Financial assets at fair value through profit or loss | 223,151 | - | - | 223,151 |
| Derivative financial instruments | - | 592 | - | 592 |
| | <u>242,471</u> | <u>3,439</u> | <u>-</u> | <u>245,910</u> |
| <i>Liabilities measured at fair value:</i> | | | | |
| Derivative financial instruments | - | 204 | - | 204 |

As at 31 December 2019

| | Quoted prices in active markets (Level 1) (Audited) HK\$'000 | Fair value measurement using | | Total (Audited) HK\$'000 |
|---|---|---|---|--------------------------------|
| | | Significant observable inputs (Level 2) (Audited) HK\$'000 | Significant unobservable inputs (Level 3) (Audited) HK\$'000 | |
| <i>Assets measured at fair value:</i> | | | | |
| Equity investments designated at fair value through other comprehensive income | 30,240 | - | - | 30,240 |
| Debt investments at fair value through other comprehensive income | - | 2,847 | - | 2,847 |
| Financial assets at fair value through profit or loss | 414,265 | - | - | 414,265 |
| Derivative financial instruments | - | 478 | - | 478 |
| | <u>444,505</u> | <u>3,325</u> | <u>-</u> | <u>447,830</u> |
| <i>Liabilities measured at fair value:</i> | | | | |
| Derivative financial instruments | - | 154 | - | 154 |

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL SUMMARY

The aggregate revenue of the Group decreased from HK\$132.7 million for the six-month period ended 30 June (the “Period”) in 2019 by 74.2% to HK\$34.3 million for the same period in 2020 and the Group has incurred a loss of HK\$169.8 million for the Period in 2020 as opposite to the profit of HK\$25.2 million for the corresponding period in 2019.

BUSINESS REVIEW

The impact of COVID-19 during the first half of 2020 has severely disrupted global economic activity and the lives of people in every country globally. In Hong Kong, this has been compounded by the existing challenges created by geopolitical tension and social unrest. The resulting uncertainty has caused businesses and individuals to refrain from committing to new investments and significant volatility in domestic and international markets. This has in general caused a negative impact on the financial performance of the Group over the Period in 2020.

Brokerage

Market liquidity was fairly robust in the first 6 months of 2020 as a result of the global easing of monetary policy in response to the outbreak of COVID-19. On the other hand, market volatility was high in the first half of this year with significant downturn witnessed across global financial markets from mid of March of 2020. These two factors gave strong support to the market turnover which remained resilient during the first half year of 2020.

In addition, due to widely anticipated regulatory action in United States (“US”), targeting US-listed Chinese Companies, the market saw an increase in dual listing activities in Hong Kong and the repatriation of many Chinese companies listed in the US. Alibaba, NetEase and JD.com raised a cumulative US\$20 billion through secondary listings in Hong Kong since November of 2019. These IPOs had further injected momentum into the Hong Kong stock market and drove the daily market turnover up by 20% from HK\$98 billion during the first half of last year to HK\$118 billion for the same Period of this year. The securities brokerage commission income increased in line with the market turnover from HK\$8.2 million for the Period ended at 30 June 2019 to HK\$10.9 million for the Period ended at 30 June 2020 and the operating loss of this business segment was decreased from HK\$19.5 million for the first half of 2019 to HK\$4.9 million for the same Period of 2020.

Margin financing and money lending

With the market turnover recovering during the current period, our margin loan book was improved from HK\$136.8 million as at 31 December 2019 to HK\$190.6 million as at 30 June 2020. However, since there is a rapid and sudden correction in the financial market from mid of March 2020, our margin clients have liquidated their margin loan book during this unfavorable period. Our interest income was therefore decreased from HK\$12.4 million for the Period last year to HK\$9.2 million for the same Period this year. The operating loss was also increased from HK\$1.9 million for the Period of 2019 to HK\$7.9 million for the current Period of 2020.

Corporate advisory and underwriting

The fund raising from Initial Public Offerings (“IPO”) for the first half year of 2020 amounted to HK\$81.5 billion, representing an increase of 14% as compared with the amount of HK\$71.8 billion for the same Period of 2019. Conversely, the number of newly listed companies was reduced from 84 for the first half year of 2019 to 64 for the same Period of 2020. The IPO market was dominated by the dual listing of US listed Chinese companies and some other larger size PRC companies whereas our competitive advantage is in the small-to-medium size market. We completed one IPO deal during the Period which was the same as the comparable Period of 2019.

Due to impact of COVID-19 in the first half year, all travelling across the border was stopped. Required due diligence became impossible to undertake which imposed significant pressure on our deal-based business. It was difficult to solicit new IPO mandates during the current Period and our deal pipeline became much weaker for the current Period when comparing with the same Period of 2019.

Under such a challenging conditions, our revenue in this segment dropped by 60% from HK\$14.9 million for last Period to HK\$5.9 million for the same Period this year. The operating profit of HK\$1.1 million for the Period in 2019 turned to loss of HK\$6.9 million for the corresponding Period of 2020.

Assets and wealth management

Our Assets Management business faced the same challenges as our Corporate Advisory and Underwriting business as mentioned above. As a result of the suspension of all cross-border due diligence work, the Assets Management deals were all postponed until further notice. For the six-month ended 30 June 2020, this business segment recorded revenue of HK\$1.1 million as opposed to HK\$2.1 million for the same Period last year. However, with our swift response in costs controls, the operating loss was reduced from HK\$3.4 million to HK\$2.2 million. In order to increase the source of revenue, our Wealth Management team has expanded the business scope to cover immigration business by co-operating with partnered immigration consultancy companies during the Period. We anticipate more revenue will be realized once travelling is allowed across different countries and when the immigration procedures can be realised.

Media and financial public relations

The business environment for the media sector has similarly faced an extremely challenging environment under the ongoing impacts of COVID-19. Inevitably this has caused a noted reduction in advertising income not only concerned with traditional print media, but also with digital media as well as the events and marketing services sectors. The operating loss of the media business segment widened from HK\$19.2 million for the first half year of 2019 to HK\$35.0 million for the same Period of 2020. In order to mitigate the loss as much as possible in the second half of this year, we have relocated all available resources to ensure a cost-efficient model in continuing our business. Our primary goal is still focused on targeting multi-media business opportunities and providing services to clients through our existing and developing channels.

Trading and investment

The Group's investment portfolio, which was mainly booked under financial assets at fair value through profit or loss, decreased from HK\$414.3 million as at 31 December 2019 to HK\$223.2 million as at 30 June 2020. The major investments holding and their fair value gains or losses are listed below:

| Stock code | Name of security | Carrying amount as at 30 June 2020 <i>HK\$'000</i> | Percentage of shareholding interest | Fair value gain/(loss) during the Period of 2020 <i>HK\$'000</i> |
|------------|--|---|-------------------------------------|---|
| 00413 | South China Holdings Company Limited | 51,895 | 3.043% | (22,107) |
| 00670 | China Eastern Airlines Corporation Limited | 41,386 | 0.290% | (16,261) |
| 01097 | i-CABLE Communications Limited | 31,544 | 6.501% | 1,856 |
| 01033 | Sinopec Oilfield Service Corporation | 22,272 | 0.823% | (15,587) |
| 00317 | CSSC Offshore & Marine Engineering (Group) Company Limited | 19,297 | 0.627% | (2,301) |
| Others | | <u>56,757</u> | | <u>(22,450)</u> |
| | | <u>223,151</u> | | <u>(76,850)</u> |

The Hang Seng Index moved in the opposite direction of the market turnover which dropped by 13% from 28,190 as at 31 December 2019 to 24,427 as at 30 June 2020, reflecting the investors' pessimistic view of the general economy in Hong Kong. The market focus was only on selective sectors, such as leading technology and medical industries while traditional business sectors, such as banking and real estate industries were not high on investors preferred sector list. Since the Group has positioned the investment portfolio for medium to long term growth in traditional industries, the fair value gain resulting from marking investments to market dropped from a gain of HK\$21.8 million for the Period of 2019 to a loss of HK\$76.9 million for the same Period in current year. Meanwhile, the Group incurred a net realized loss of HK\$29.3 million for the current Period as compared with a gain of HK\$40.6 million for the last Period of 2019.

Property investment

Due to the widespread disruption caused by the outbreak of COVID-19, the valuation of commercial properties showed signs of weakening in the first half year of 2020. No revaluation gain was recorded for the current Period as opposed to a revaluation gain of HK\$21 million for the same Period of 2019. The fair value of the investment properties therefore remained at HK\$550 million at the end of the Period while gross rental income for the current Period increased slightly to HK\$6.42 million from HK\$6.36 million for last Period.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had obtained short term credit facilities which were reviewed annually and a long term mortgage loan from a bank. The banking facilities for the share margin finance operations were secured by the securities of our margin clients and the Group. The outstanding credit facilities were guaranteed by the Company.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes interest-bearing bank borrowings, less cash and bank balances. Capital represents total equity. The gearing ratio as at 30 June 2020 was approximately 37.8% (31 December 2019: 36.3%).

The Group had a cash balance of HK\$107.0 million at the end of the Period, an increase of 20% from the end of 2019. The Group had sufficient working capital base to meet its operational needs.

CAPITAL STRUCTURE

There was no material change in Group's capital structure during the Period as compared to the most recent published annual report.

Use of proceeds update

Use of Proceeds of the 2016 Rights Issue Update

With reference to the announcement dated 3 July 2019, the unutilised proceeds of approximately HK\$280 million from the 2016 Rights Issue has been used for the development of the Group's existing trading and investment business. As a result, there is no more outstanding unutilised proceeds as at 31 December 2019.

CHARGES ON ASSETS

As at 30 June 2020, the Group's investment properties, inventories and listed securities held in trading and investment portfolio were pledged to banks for banking facilities.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group had no material contingent liabilities.

EVENT AFTER THE REPORTING PERIOD

There is no material event noted after the reporting period.

EMPLOYEES

As at 30 June 2020, the total number of employees of the Group was 235 (six months ended 30 June 2019: 316). Employee's cost (including directors' emoluments) amounted to approximately HK\$47.2 million for the Period (six months ended 30 June 2019: approximately HK\$63.9 million).

In addition to salary, other fringe benefits such as medical subsidies, life insurance, provident fund and subsidized external training are offered to employees. Continuous professional training will continue to be arranged for those staff who are registered with the Securities and Futures Commission. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employee may also receive a discretionary bonus at the end of each year based on performance. Selected employees may also be granted share option and share award under the share option scheme and share award scheme adopted by the Company.

PROSPECTS

The integration of the economy of Greater Bay Area ("GBA") and Hong Kong is anticipated to be the direction of future development for the local financial market. We therefore launched the non-face-to-face account opening mobile application around the end of 2019 and promoted our brokerage services and wealth management products more actively through some digital marketing campaigns during the first half of the current year. The response from investors so far is encouraging with the number of new accounts opened significantly improved. We will continue to solicit new PRC clients through the digital marketing for our brokerage and wealth management business for the rest of year 2020.

In response to the recent announcement of Wealth Management Connect across the GBA and Hong Kong in June 2020, we will strengthen our sales forces in wealth management products, including but not limited to mutual funds, bonds and insurance products. Although the initial stage of Wealth Management Connect is expected to be a close-loop arrangement between the banks in GBA and Hong Kong, the experience in Stock Connect and Bonds Connect indicated that various investor education initiatives and marketing activities will not only attract new investments through the close-loops across the border, but also attract funding to invest directly into these products out of the loops and can also stimulate the local investors' appetite in these products. We will therefore be well positioned to capture a greater market share of the GBA/Hong Kong wealth management business.

On the other hand, the onset of a series of protests in Hong Kong since June 2019 plus the COVID-19 pandemic sweeping across the globe imposed significant pressure to our investment banking and assets management businesses. Due to the shrinking number of deals and their size, we have carried out stringent costs control measures in these two business segments and expect to continue in the second half of the current year for making efficiencies where applicable.

At the same time, our investments in creating a more flexible and innovative business are demonstrating their long-term value in enhancing our ability to serve customers more effectively, broaden our appeal with a wide audience, and deliver strong business momentum in the future. Our competitive edge is also influenced by our high-performing culture that encourages collaboration and creativity. Our staff are constantly innovating and adding real value whilst always looking to deliver positive outcomes for our customers. To support the performance of our dynamic business, we will continue to invest in talent development and in our staff's overall well-being.

We are always looking to market ourselves as a reliable strategic media partner to our clients with a comprehensive total media solution offering. COVID-19 has changed the customers' behavior in which various activities are now carried out on-line through digital channels. The Media Group will speed up its transformation into a reliable digital media platform for our customers by utilizing our technology in events management, digital and multimedia offerings.

Given the uncertainties ahead, we will review our strategies critically from time-to-time. We now maintain a much reduced cost structure to allow the Group to move forward with more flexibility and react to the abrupt market changes in a more timely manner. Whilst technology is a vital part of our customer-focused approach, our employees remain our best asset. Under difficult circumstances, our staff have demonstrated flexibility and professionalism to minimise any disruption in service for our valued customers. The Group remains alert to the unprecedented COVID-19 pandemic and increasing tensions between China and the US. We will continue to closely monitor the market situation and react to any market changes without hesitation.

Our experience, accumulated in Hong Kong and China over more than 30 years, will enable us to encounter challenges ahead and deliver value to our shareholders, customers and staff alike.

INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the Period (six months ended 30 June 2019: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, save as disclosed below, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the Part XV of the SFO (including interests and short positions which any such Directors or chief executives of the Company is taken or is deemed to have under such provisions of the SFO) or was required to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 of the Listing Rules:

Long positions in shares and underlying shares of the Company

| Name of Director | Capacity | Number of shares/underlying shares | | | | Total | Approximate percentage of shareholding (Note 3) |
|--|---|------------------------------------|------------------|------------------------|-------------------------|-------------|--|
| | | Personal interests | Family interests | Corporate interests | Convertible bonds | | |
| Mr. Ng Hung Sang (“Mr. Ng”) | Beneficial owner/ Interests of controlled corporations | 11,133,264 | - | 77,328,343 (Note 1) | 227,272,727 (Note 2) | 315,734,334 | 104.80% |
| Ms. Cheung Choi Ngor | Beneficial owner | 12,300,311 | - | - | - | 12,300,311 | 4.08% |
| Hon. Raymond Arthur William Sears, Q.C. | Interest of spouse | - | 53,000 | - | - | 53,000 | 0.02% |

Notes:

- The 77,328,343 shares of the Company held by Mr. Ng through controlled corporations included 23,526,030 shares held by Fung Shing Group Limited (“Fung Shing”), 44,623,680 shares held by Parkfield Holdings Limited (“Parkfield”), 1,999,872 shares held by Ronastar Investments Limited (“Ronastar”) and 7,178,761 shares held by Uni-spark Investments Limited (“Uni-spark”). Fung Shing, Parkfield and Ronastar are directly wholly-owned by Mr. Ng. Uni-spark is indirect wholly-owned by Mr. Ng.
- Total Grace Investments Limited is a company wholly-owned by Mr. Ng which holds the convertible bonds issued by the Company in the principal amounts of HK\$50,000,000. Assuming (i) the conversion right under the convertible bonds are exercised in full; and (ii) there is no other change to the total number of issued shares, a total of 227,272,727 new shares will be allotted and issued to Total Grace Investments Limited, representing approximately 75.44% as at 30 June 2020 and approximately 43.00% of the total number of issued shares as enlarged by the allotment and issue of the conversion shares.
- Based on the total number of issued shares (i.e. 301,277,070 shares) of the Company as at 30 June 2020.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, save as disclosed below, the Directors were not aware of any person (other than the Directors or chief executives of the Company) who had any interest or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long position in the ordinary shares and underlying shares

| Name | Capacity | Beneficial interests | Family interests | Corporate interests | Number of shares and underlying shares held/interested | Approximate percentage of shareholding <i>(Note 5)</i> |
|--|--------------------|-----------------------------|--------------------------------|----------------------------|---|--|
| Ms. Ng Lai King Pamela | Interest of spouse | - | 315,734,334 <i>(Note 1)</i> | - | 315,734,334 | 104.80% |
| Parkfield Holdings Limited <i>(Note 2)</i> | Beneficial owner | 44,623,680 | - | - | 44,623,680 | 14.81% |
| Fung Shing Group Limited <i>(Note 3)</i> | Beneficial owner | 23,526,030 | - | - | 23,526,030 | 7.81% |
| Total Grace Investments Limited <i>(Note 4)</i> | Beneficial owner | 227,272,727 | - | - | 227,272,727 | 75.44% |

Notes:

- Ms. Ng Lai King Pamela is the spouse of Mr. Ng Hung Sang ("Mr. Ng"). By virtue of the SFO, Ms. Ng Lai King Pamela is deemed to be interested in the 88,461,607 shares and 227,272,727 underlying shares which Mr. Ng is interested in.
- Parkfield Holdings Limited is a company wholly-owned by Mr. Ng.
- Fung Shing Group Limited is a company wholly-owned by Mr. Ng.
- Total Grace Investments Limited is a company wholly-owned by Mr. Ng which holds the convertible bonds issued by the Company in the principal amounts of HK\$50,000,000. Assuming (i) the conversion right under the convertible bonds are exercised in full; and (ii) there is no other change to the total number of issued Shares, a total of 227,272,727 new shares will be allotted and issued to Total Grace Investments Limited, representing approximately 75.44% as at 30 June 2020 and approximately 43.00% of the total number of issued shares as enlarged by the allotment and issue of the conversion shares.
- Based on the total number of issued shares (i.e. 301,277,070 shares) of the Company as at 30 June 2020.

EMPLOYEES' SHARE AWARD SCHEME

On 10 June 2015, the Company adopted the Share Award Scheme whereby the Company may grant share awards to selected employees in recognition of their contributions to the Group and as incentive to retain them to support the operations and ongoing development of the Group and attract suitable personnel for the Group's further development. Pursuant to the terms and the conditions of the Share Award Scheme, the Company shall settle a sum up to and not exceeding HK\$20 million for the purchase of shares of the Company and/or other shares listed on the Main Board or GEM of the Stock Exchange from market. Such shares shall form part of the capital of the trust fund set up for the Share Award Scheme. The Board may, from time to time, select employees for participation in the Share Award Scheme and cause to be paid an amount to the trustee from the Company's resources for the purpose of purchase of shares as referred to in the above.

No share award has been granted to the employees of the Company during the Period.

SHARE OPTION SCHEME

The Company adopted a share option scheme in June 2012 (the "Scheme") for the purpose of providing incentives and rewards to eligible participants, who contribute to success of the Group's operations, and retaining such participants for their continuing support to the Group. Particulars and movements of the outstanding share options granted under the Scheme during the Period were as follows:

| Category of participant | Number of share options | | | | Outstanding as at 30 June 2020 | Date of grant of share options | Exercise period of share options | Exercise price per share |
|-------------------------|----------------------------------|---------------------------|-----------------------------|--------------------------|--------------------------------|--------------------------------|----------------------------------|--------------------------|
| | Outstanding as at 1 January 2020 | Granted during the Period | Exercised during the Period | Lapsed during the Period | | | | |
| Employees | 155,385 | - | - | (155,385) | - | 09/06/2015 | 09/06/2018-08/06/2020 | HK\$9.750 |

Notes:

- (i) All share options granted are subject to a vesting period and becoming exercisable in the following manner:

| From the date of grant of share options | Exercisable percentage |
|---|------------------------|
| Within 12 months | Nil |
| 13th-36th month | 33 $\frac{1}{3}$ % |
| 25th-48th month | 33 $\frac{1}{3}$ % |
| 37th-60th month | 33 $\frac{1}{3}$ % |

The unexercised share options of each exercise period will lapse at the end of the respective exercise periods.

- (ii) The exercise price of the share option is subject to adjustment in case of rights issues, or other alteration in the capital structure of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

The Company had complied with all the code provisions as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules except that (i) Mr. Ng Hung Sang, an Executive Director and the Chairman of the Board of the Company and Ms. Ng Yuk Mui Jessica, an Executive Director, the Executive Vice Chairman and Chief Executive Officer of the Company; and (ii) Hon. Raymond Arthur William Sears, Q.C., an Independent Non-executive Director of the Company were unable to attend the annual general meeting of the Company held on 16 June 2020 which deviated from code provisions E.1.2 and A.6.7 of the CG Code as they had other business engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding the directors’ securities transactions. In addition, the Board has established similar guidelines for relevant employees who are likely to possess inside information in relation to the Group or its securities.

In response to the Company’s specific enquiry, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding securities transactions by Directors throughout the Period.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the Listing Rules. The Audit Committee presently comprises three Independent Non-executive Directors, namely Mr. Tung Woon Cheung Eric (Chairman of the Audit Committee), Hon. Raymond Arthur William Sears, Q.C. and Mrs. Tse Wong Siu Yin Elizabeth.

The Group’s unaudited consolidated results for the Period have been reviewed by the Audit Committee. The audit committee was of the opinion that the preparation of such interim results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

By Order of the Board
South China Financial Holdings Limited
南華金融控股有限公司
Ng Hung Sang
Chairman and Executive Director

Hong Kong, 18 August 2020

As at the date of this report, the Directors of the Company are (1) Mr. Ng Hung Sang, Ms. Cheung Choi Ngor and Ms. Ng Yuk Mui Jessica as executive directors; and (2) Mrs. Tse Wong Siu Yin Elizabeth, Hon. Raymond Arthur William Sears, Q.C. and Mr. Tung Woon Cheung Eric as independent non-executive directors.